

Message Text

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ORIGIN EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-07 L-03 ACDA-12
NSAE-00 PA-01 SS-15 PRS-01 SP-02 TRSE-00 USIE-00
NSCE-00 INRE-00 SSO-00 /059 R

DRAFTED BY OSD/ISA:TPHDUNLOP; EUR/RPM:EREHFELD
APPROVED BY EUR/RPM:SJLEDOGAR
OSD/ISA: MR. SIENA
EUR/CAN: JHROUSE
EUR/CE:ELAUDERDALE

-----014051 010150Z /63

O R 010029Z DEC 77
FM SECSTATE WASHDC
TO ALL NATO CAPITALS IMMEDIATE
INFO USMISSION USNATO
AMEMBASSY REYKJAVIK
USNMR SHAPE
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C O N F I D E N T I A L STATE 286270

E.O. 11652: GDS

TAGS: NATO, AWACS, MARR

SUBJECT: DECEMBER DPC: NATO AWACS

REFS: (A) USNATO 11708 (B) STATE 254061
(C) STATE 274208

1. REF A REPORTED POSITIVE OUTCOME OF LATEST IN
A SERIES OF NATIONAL AWACS EXPERTS MEETINGS IN BRUSSELS.
SYG LUNS' REPORT TO MINISTERS AT THE DECEMBER 6/7
DPC (PO/77/165) WILL PROPOSE A NUMBER OF SPECIFIC
AWACS-RELATED ACTIONS, ALL OF WHICH WE STRONGLY
ENDORSE. THIS MESSAGE PROVIDES ADDITIONAL INFORMATION
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ON CERTAIN ASPECTS OF THE NATO AWACS PROGRAM AND
REQUESTS ACTION ADDRESSEES TO SUPPORT THE LUNS
REPORT RECOMMENDATION IN CONTACTS WITH APPROPRIATE
HOST GOVERNMENT OFFICIALS.

2. FUNDING FOR INITIAL R AND D ON COMMON COMPUTER:
ONE OF THE MOST IMPORTANT RECOMMENDATIONS LUNS WILL
MAKE TO MINISTERS IS THAT THEY QUOTE ENDORSE AND
PROVIDE FUNDINGS IN THE AMOUNT OF 5 MILLION DOLLARS
FOR THE INITIAL DEVELOPMENT ACTIVITY NEEDED TO

RETAIN THE STANDARDIZED (NATO AWACS AIRCRAFT) OPTION

WHILE REMAINING ASPECTS OF AN AGREED PROGRAM ARE RESOLVED. UNQUOTE. THE DEVELOPMENT ACTIVITY WHICH LUNS MENTIONS IS INITIAL R AND D ON THE COMPUTER AND MUST BEGIN IN JANUARY 1978 IF STANDARDIZATION BETWEEN THE US AND NATO MODELS OF THE E-3A AWACS IS TO BE ACHIEVED. STANDARDIZATION BRINGS WITH IT ABOUT 300 MILLION DOLLARS IN PROGRAM COST REDUCTION FOR THE NATO AWACS PROGRAM ALONE. IT CAN THUS EASILY BE SEEN THAT STANDARDIZATION IS THE KEY TO ACHIEVING A VIABLE NATO AWACS FORCE.

3. SOME MONEY FOR INITIAL COMPUTER R AND D IS AVAILABLE FROM EXISTING US/FRG FINANCIAL COMMITMENTS TO NAPO ADMINISTRATION. AS ADDRESSEES MAY RECALL, IN 1975 MINISTERS APPROVED THE ESTABLISHMENT OF THE PROVISIONAL NATO AEW PROGRAM OFFICE (NAPO), UNDER HIGH LEVEL GROUP SUPERVISION, TO ACCOMPLISH NATO AEW PROGRAM DEFINITION. IN JUNE 1975 MINISTERS ENDORSED THE EXPENDITURE OF UP TO 15 MILLION DOLLARS FOR THIS PURPOSE. THE US COMMITTED TO 6 MILLION DOLLARS, AND THE FRG AND THE UK TO CONFIDENTIAL

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4 MILLION DOLLARS EACH. IN JUNE 1977, FOLLOWING THE UK DECISION TO CONTRIBUTE TO NATO AEW IN KIND THROUGH THE NIMROD, THE STATEMENT OF UNDERSTANDING GOVERNING EXPENDITURE OF THESE FUNDS WAS REVISED AND EXTENDED. ABOUT 3 MILLION DOLLARS REMAINS IN THE KITTY; HOWEVER, OF THIS ABOUT 1.1 MILLION WILL BE NEEDED TO FINANCE NAPO ACTIVITIES THROUGH JUNE, 1978, WHEN WE ANTICIPATE A PROGRAM START. THUS SOME 1.9 MILLION DOLLARS IS AVAILABLE WHICH, IF MINISTERS APPROVE, COULD BE DIVERTED TO THE INITIAL COMPUTER R AND D WORK URGENTLY NEEDED NOW. MINISTERIAL ENDORSEMENT AT THE DPC FOR THE EXPENDITURE OF THESE FUNDS FOR COMPUTER R AND D IS NEEDED.

4. IN ADDITION, ABOUT 3.1 MILLION DOLLARS IN ADDITIONAL FUNDING IS NEEDED FOR COMPUTER R AND D BETWEEN JANUARY AND JUNE, 1978. SYG LUNS HAS PROPOSED A FORMULA WHEREBY FUNDS WILL BE COMMITTED BY ALL NATIONS. (WE AGREE WITH LUNS THAT THIS HAS IMPORTANT POSITIVE POLITICAL IMPLICATIONS FOR THE PROGRAM). LUNS IS SUGGESTING THAT THE TEN "MINOR SHARE" NATIONS CONTRIBUTE A TOKEN 50,000 DOLLARS EACH, FOR A TOTAL OF 500,000 DOLLARS. ADDITIONAL COMMITMENTS OF 2.6 MILLION DOLLARS ARE THUS REQUIRED, WHICH LUNS IS SUGGESTING SHOULD BE SHARED BY THE THREE "MAJOR SHARE" NATIONS, THE US, CANADA, AND THE FRG. LUNS HAS NOT PROPOSED PRECISELY HOW THE THREE MAJOR

SHARE NATIONS SHOULD ALLOCATE THEIR SHARES. WE BELIEVE AN ALLOCATION AMONG THE THREE MAJOR SHARE NATIONS IN COMPARABLE PROPORTION TO THE RELATIVE AIRCRAFT PROCUREMENT SHARES APPEARING AS "NATIONAL" SUGGESTIONS IN THE LUNS REPORT WOULD BE A REASONABLE (AND PROBABLY THE ONLY VIABLE) SOLUTION: US-1,325,000 DOLLARS, CANADA - 285,000 DOLLARS, FRG - 990,000 DOLLARS. IF MINISTERS ENDORSE THIS APPROACH, AS WE HOPE THEY WILL, WE WILL
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UNDERTAKE THE REQUIRED CONSULTATIONS WITH THE CONGRESS WITH A VIEW TO MAKING OUR CONTRIBUTION ON OR ABOUT 1 JANUARY 1978.

5. FOR EMBASSIES OTTAWA AND BONN: PLEASE RAISE THE INITIAL R AND D FUNDING REQUIREMENT WITH APPROPRIATE HOST GOVERNMENT OFFICIALS, SUPPORTING A SOLUTION ALONG THE LINES OUTLINED ABOVE AND STRESSING THE CRITICAL IMPORTANCE TO THE PROGRAM OF INITIATING COMPUTER R AND D. WE WOULD CONSIDER ALTERNATIVE APPROACHES TO THE FUNDING ISSUE, BUT WE STRONGLY BELIEVE MAJOR SHARE NATIONS SHOULD BE WILLING TO ASSUME THE MAJOR SHARE AS THE LUNS REPORT SUGGESTS.

6. FOR ALL OTHER ACTION ADDRESSEES: PLEASE STRESS WITH HOST GOVERNMENT OFFICIALS THE IMPORTANCE OF MOVING AHEAD WITH STANDARDIZATION IF THE NATO AWACS PROGRAM IS TO BE REALIZED, POINTING OUT THE SMALL AMOUNT BUT GREAT SYMBOLIC IMPORTANCE OF THE SUMS SUGGESTED FOR MINOR-SHARE NATIONS.

7. ELEMENTS OF A PROGRAM PROPOSAL. THE LUNS REPORT TO MINISTERS WILL CONTAIN MANY OF THE ESSENTIAL ELEMENTS OF A PACKAGE PROPOSAL; A FORCE SIZE AND CONFIGURATION (18 US-NATO STANDARD MODEL AWACS AND 11 NIMRODS), A PROGRAM PROCUREMENT COST FOR THE AWACS COMPONENT (1,894 MILLION DOLLARS) (WHICH IS THE 18-PLANE FORCE COST MINUS THE 54 PERCENT R AND D RECOUPMENT FOR THE US OF ABOUT 50 MILLION DOLLARS), AND A PROPOSED COST-SHARING FORMULA. WE BELIEVE MINISTERS SHOULD STRONGLY ENDORSE THE LUNS REPORT, WHICH PROPOSES THAT QUOTE MINISTERS UNDERTAKE HIGH LEVEL NATIONAL CONSIDERATION OF THE LATEST PROPOSAL ON COST-SHARING WITH A VIEW TOWARD IDEN-
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TIFYING A FINAL PROPOSAL AS A MATTER OF HIGH PRIORITY UNQUOTE. WE BELIEVE THIS CAN BE ACCOMPLISHED BY THE MAY MINISTERIAL, WITH PERMANENT REPRESENTATIVES ACTING FOR MINISTERS AS APPROPRIATE IN THE INTERIM. THIS TIMETABLE

IS FULLY CONSONANT WITH OUR OBJECTIVES OUTLINED REF B.

8. PROGRAM MANAGEMENT: ALTERNATIVES TO FMS PROCEDURES:
FOR SOME TIME IT HAS BEEN EVIDENT THAT ALLIES REGARD
FINDING SOME ALTERNATIVE TO FMS MANAGEMENT PROCEDURES
EXTREMELY IMPORTANT. THEY ATTACH CONSIDERABLE
POLITICAL IMPORTANCE TO ELIMINATING INAPPROPRIATE
(IN THEIR VIEW) FMS REQUIREMENTS FROM WHAT THEY
(AND WE) REGARD AS A MAJOR PRECEDENT SETTING
ALLIANCE COOPERATIVE PROJECT. ALLIES ALSO
PERCEIVE SOME SAVINGS IN COST IF CERTAIN FMS-ASSOCIATED
CHARGES ARE ELIMINATED. WE HAVE THEREFORE DEVELOPED
AN ALTERNATIVE TO FMS PROCEDURES WHICH, WHILE
MEETING ALLIED CONCERNS, WILL ALSO SECURE FOR THE
PROGRAM THE MANAGEMENT EXPERTISE AND OVERSIGHT
BY US AGENCIES WHICH WILL BE VITAL IF THIS COMPLEX
PROGRAM IS TO BE EFFICIENTLY ADMINISTERED. PLEASE
INFORM HOST GOVERNMENTS THAT:

A. THE DEPARTMENT OF DEFENSE (DOD) WILL SHORTLY
BEGIN CONSULTATION WITH THE CONGRESS ON THE FOLLOWING
MANAGEMENT APPROACH FOR ALLIANCE ACQUISITION OF AN
AWACS FORCE:

(1) NATO WOULD FORMALLY AUTHORIZE THE USG TO ACT
AS ITS AGENT FOR THE PURPOSE OF NEGOTIATING AND
MANAGING CONTRACTS WITH US CONTRACTORS FOR THE
AIRBORNE COMPONENT OF THE NATO AWACS PROGRAM.
(NON-AIRBORNE COMPONENTS--E.G., GROUND ENVIRONMENT
AND FACILITIES--WOULD BE MANAGED BY NATO AGENCIES.)
THE NAMED PARTIES TO THESE CONTRACTS WOULD BE A
DULY AUTHORIZED NATO AGENCY (I.E., NAPMO) AND
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US CONTRACTORS. THIS ARRANGEMENT WOULD NOT, OF
COURSE, RELIEVE NATO OF ANY LIABILITIES FOR WHICH
A CONTRACTING PARTY IS NORMALLY RESPONSIBLE. THIS
PROCEDURE WOULD INCLUDE:

(A) APPROPRIATE US PROCUREMENT PRACTICES AND
REGULATIONS WOULD APPLY IN CONTRACTS WITH USG
CONTRACTORS, BUT NOT NECESSARILY IN CONTRACTS WITH
NATO SUBCONTRACTORS.

(B) ALL CONFIGURATION OR SPECIFICATION CHANGES
WHICH IMPACT BOTH AWACS PROGRAMS WOULD BE JOINTLY
APPROVED BY THE NATO AWACS CONFIGURATION BOARD
AND THE USG PROGRAM OFFICE CONFIGURATION CONTROL
BOARD. COST IMPACTS OF ANY UNILATERAL CHANGES
WOULD BE ABSORBED BY THE PROGRAM IN WHICH THE CHANGE
IS INITIATED.

(C) ALLIANCE INTERFACE WITH USG CONTRACTORS WILL BE THROUGH THE USG AND ALL CORRESPONDENCE TO USG CONTRACTORS ON CONTRACT MATTERS WILL BE SIGNED BY THE USG PROGRAM DIRECTOR OR HIS DESIGNATED REPRESENTATIVE.

(2) DOD WILL SEEK CONGRESSIONAL AUTHORITY TO WAIVE SURCHARGES AND CHARGE ONLY DIRECT MANAGEMENT COSTS ON THE SAME BASIS AND USING THE SAME COST CRITERIA AS OTHER PARTICIPATING NATIONS CHARGE FOR SERVICES.

9. ACTION ADDRESSEES ARE ALSO REQUESTED TO BRING THE ABOVE TO THE ATTENTION OF HOST GOVERNMENTS.

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10. IN CONCLUSION, WE REQUEST ACTION ADDRESSEES BRING THE FOLLOWING OBSERVATIONS TO THE ATTENTION OF HOST GOVERNMENTS:

A. THE CRITICAL MILITARY REQUIREMENT FOR A NATO AEW CAPABILITY TO COUNTER THE RAPIDLY GROWING WARSAW PACT LOW-LEVEL AIR ATTACK CAPABILITY HAS BEEN RECOGNIZED BY ALLIANCE MILITARY AUTHORITIES SINCE 1970; AN AIRBORNE EARLY WARNING CAPABILITY AS AN ESSENTIAL ELEMENT IN MEETING THIS REQUIREMENT WAS ACKNOWLEDGED BY MINISTERS AS EARLY AS 1972; THE SEARCH FOR AN AFFORDABLE, COOPERATIVE NATO AEW PROGRAM HAS BEEN ON EVERY MINISTERIAL DPC AGENDA SINCE DECEMBER 1973. EXHAUSTIVE STUDIES BY NATO AUTHORITIES OVER A PERIOD OF MORE THAN FIVE YEARS HAVE CAREFULLY EXAMINED AWACS CAPABILITIES, FORCE SIZE CONFIGURATION, COST, MANNING, BASING AND OTHER ISSUES AND HAVE NOW CULMINATED IN THE PROGRAM ELEMENTS FORWARDED BY SYG LUNS TO MINISTERS IN PO/77/165.

B. THE MILITARY AND POLITICAL SIGNIFICANCE TO THE ALLIANCE OF A COOPERATIVE NATO AEW PROGRAM WAS OUTLINED IN THE US AIDE MEMOIRE FORWARDED TO ALLIES 6 NOVEMBER 1976 (STATE 274208 NOV 76). THE RATIONALE PROVIDED THEREIN REMAINS AS VALID NOW AS THEN. THE MARCH 1977 UK DECISION TO MAKE ITS CONTRIBUTION TO NATO AEW IN KIND THROUGH NIMROD, WHILE DELAYING A PROGRAM DECISION, ALSO ALLOWED TIME FOR FURTHER PROGRESS TOWARD A STANDARD US-NATO AWACS AIRCRAFT WITH RESULTANT COST SAVINGS WHICH ARE ESSENTIAL TO A VIABLE PROGRAM. ALTHOUGH THE THREAT HAS INCREASED IN THE INTERVAL, SO HAS ALLIANCE UNDERSTANDING

OF THE ISSUES INVOLVED AND CONSENSUS ON COST SHARING IS, WE BELIEVE, NOW EMERGING.

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C. WE ARE THUS ON THE THRESHOLD OF AN INNOVATIVE
AND URGENTLY REQUIRED ALLIANCE COOPERATIVE VENTURE.
WE TRUST ALLIES WILL TAKE THE NECESSARY REMAINING
STEPS IN THE COMING MONTHS TO REALIZE THE PROGRAM.
IF THEY DO NOT, WE MAY MISS THE OPPORTUNITY TO STAN-
DARDIZE NATO AWACS WITH THE US NATIONAL AWACS, AND
THUS LOSE THE OPPORTUNITY TO ACQUIRE AN AFFORDABLE
FORCE OF ADEQUATE SIZE.

11. NEEDLESS TO SAY WITH DEFENSE MINISTERS LEAVING
CAPT?ALS FOR THE NATO MEETINGS THIS WEEKEND, THIS
MATTER SHOULD BE DISCUSSED WITH APPROPRIATE OFFICIALS
ASAP. VANCE

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Message Attributes

Automatic Decaptioning: X
Capture Date: 22-Sep-1999 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETINGS
Control Number: n/a
Copy: SINGLE
Sent Date: 01-Dec-1977 12:00:00 am
Decaption Date: 01-Jan-1960 12:00:00 am
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977STATE286270
Document Source: ADS
Document Unique ID: 00
Drafter: OSD/ISA:TPHDUNLOP; EUR/RPM:EREHFELD
Enclosure: n/a
Executive Order: 11652 GDS
Errors: n/a
Expiration:
Film Number: D770444-0799
Format: TEL
From: STATE
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t197712111/baaaeuni.tel
Line Count: 292
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
Message ID: 25f35dfc-c188-dd11-92da-001cc4696bcc
Office: ORIGIN EUR
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 6
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 16-Mar-2005 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 118968
Secure: OPEN
Status: NATIVE
Subject: DECEMBER DPC: NATO AWACS
TAGS: MARR, NATO, AWACS
To: ALL NATO CAPITALS INFO USNATO MULTIPLE
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/25f35dfc-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009